

Message Text

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ACTION EB-11

INFO OCT-01 EUR-25 ISO-00 AEC-11 AID-20 CEA-02 CIAE-00

CIEP-02 COME-00 DODE-00 FEA-02 FPC-01 H-03 INR-10

INT-08 L-03 NSAE-00 NSC-07 OMB-01 PM-07 RSC-01 SAM-01

SCI-06 SPC-03 SS-20 STR-08 TRSE-00 FRB-02 XMB-07

OPIC-12 LAB-06 SIL-01 AECE-00 NEA-10 DRC-01 /192 W

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P 081843Z MAR 74

FM AMEMBASSY LONDON

TO SECSTATE WASHDC PRIORITY 8558

LIMITED OFFICIAL USE SECTION 01 OF 02 LONDON 03024

E.O. 11652: N/A

TAGS: ENRG, ETRD, UK, XX

SUBJECT: UK TRADE & INVESTMENT OPPORTUNITIES ARISING
FROM ENERGY SITUATION

REF: A) STATE 040537; B) STATE 39165; C) LONDON 1881;
D) LONDON 2061; E) LONDON 2312

1. SUMMARY - BEST POTENTIAL MAJOR EXPORT OPPORTUNITY
UK RESULTING FROM ENERGY SITUATION IS COAL. OTHER
AREAS OF OPPORTUNITY ARE IN FIELD OF NUCLEAR ENERGY AND
SUPPLIES AND SERVICES FOR NORTH SEA OIL, PLUS NUMEROUS
AREAS OF SHORTAGES OF A MORE TEMPORARY NATURE ACROSS
THE ENTIRE FIELD OF BRITAIN'S ECONOMY RESULTING FROM
JUST CONCLUDED MINERS' STRIKE ON TOP OF OIL CURTAIL-
MENTS. END SUMMARY

2. COAL: PRIOR TO 1971 OUR EXPORTS OF COAL TO THE UK
WERE OF MINOR SIGNIFICANCE. AT PRESENT WE HAVE A MODEST
MARKET AND IF COAL WERE AVAILABLE FOR EXPORT IN THE US
WE COULD RAPIDLY EXPAND THIS MARKET OVER THE NEXT YEAR
OR SO AS THE UK ATTEMPTS TO REBUILD ITS DEPLETED COAL

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STOCKS CAUSED BY THE RECENT MINERS' STRIKE AND HEDGES

AGAINST FUTURE COAL PRODUCTION STOPPAGES. HMG IS CURRENTLY REASSESSING SITUATION ON ENERGY FOR POWER AND THERE IS POSSIBILITY, ACCORDING TO HIGH OFFICIAL DEPT OF ENERGY, OF NEED FOR SUBSTANTIAL AMOUNTS OF STEAM COAL OVER LONG TERM DESPITE CURRENT PLANS TO REBUILD BRITISH COAL INDUSTRY. ACCORDING TO THIS OFFICIAL THESE LONGER TERM PLANS WOULD TIE IN WITH EUROPEAN COMMUNITY'S ENERGY PLANS. THUS OVER LONGER TERM A VERY SIGNIFICANT MARKET COULD EXIST IN THE UK (AND POSSIBLY EUROPE) FOR AMERICAN COAL. ASSURANCE OF UNRESTRICTED ACCESS TO US COAL REMAINS A CRITICAL FACTOR IN BRITISH DECISION MAKING PROCESS. DEPT'S REF B, HOWEVER, DOES NOT OFFER ENCOURAGEMENT IN THIS RESPECT AS DECISION APPARENTLY MADE TO LIMIT US EXPORTS COAL TO 1973 LEVEL THROUGH 1985 UNDER "PROJECT INDEPENDENCE" PROGRAM. OFFICIAL OF LARGEST AMERICAN COAL PRODUCER VISITING LONDON LAST WEEK CONFIRMED UNLIKELIHOOD OF SUBSTANTIALLY INCREASING EXPORTS IN UNDER FOUR YEARS. HE ALSO EXPRESSED SURPRISE AT LEARNING OF UK INTEREST IN STEAM COAL AS METALLURGICAL COAL HAS HITHERTO BEEN MAJOR US COAL EXPORT IN HIS OPINION. THE EMBASSY BELIEVES THAT, IN VIEW OF CURRENT FLUID SITUATION, LONG TERM POTENTIAL MARKET OF SIGNIFICANCE FOR US COAL HERE EXISTS AND URGES STRONGLY A REAPPRAISAL OF OUR PRESENT POLICY OF RESTRICTING THE GROWTH OF COAL EXPORTS.

3. NUCLEAR ENERGY: THE RECENT CONSERVATIVE GOVERNMENT REPORTEDLY CAME WITHIN A HAIR'S BREADTH OF APPROVING AN INITIAL PURCHASE OF 4 AMERICAN LIGHT WATER REACTORS (REF LONDON 3023). THE PHYSICAL NEED FOR INCREASED NUCLEAR REACTOR CAPACITY REMAINS BUT THE FULFILLMENT OF THIS NEED WAITS UPON A DECISION BY THE NEW LABOR GOVERNMENT THAT WILL BE BASED PARTIALLY ON POLITICAL CONSIDERATIONS. IN ANY EVENT, HMG IS BEING KEPT FULLY INFORMED OF ALL TECHNICAL FACTORS, INCLUDING SAFETY, INVOLVED IN THIS DECISION AND THERE APPEARS TO BE LITTLE THE EMBASSY CAN DO AT THIS TIME TO INFLUENCE THE GOVERNMENT'S DECISION. WE WILL REMAIN ALERT TO EXPLOIT ANY OPPORTUNITY FOR SUCH INFLUENCE AS MAY ARISE.

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4. NORTH SEA OIL: THERE CAN BE LITTLE DOUBT THAT THE BRITISH GOVERNMENT WILL BE PUSHING AS HARD AS POSSIBLE FOR RAPID EXPLOITATION OF PROVEN AND PROSPECTIVE AREAS IN THE OFFSHORE OIL FIELDS. THIS SHOULD LEAD TO AN ACCELERATION OF OUR ALREADY SIGNIFICANT FLOW OF OFFSHORE SUPPLY AND SERVICES EXPORTS TO THE UK IN THIS AREA. HOWEVER, THE NEW LABOR GOVERNMENT'S EAGERNESS TO INCREASE THE EXPLOITATION OF OFFSHORE OIL

MAY CONFLICT WITH ITS ANNOUNCED INTENTION OF INCREASING
HMG'S SHARE OF COMPANY "TAKE" FROM NORTH SEA OIL.
ALSO, THE LABOR GOVERNMENT MAY PRESS HARDER FOR BRITISH
AND SCOTTISH FIRMS TO RECEIVE A "FULL AND FAIR OPPOR-
TUNITY" TO COMPETE FOR NORTH SEA OFFSHORE BUSINESS. THE
REACTION OF THE INTERNATIONAL OIL COMPANIES TO THESE
DECISIONS WILL BE THE ALL IMPORTANT FACTOR IN THE

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FUTURE GROWTH OF THIS MARKET.

5. OTHER OPPORTUNITIES: THERE EXIST AT THIS PARTICULAR POINT IN TIME NUMEROUS AREAS OF SHORTAGES WHICH CUT ACROSS THE ENTIRE FIELD OF BRITAIN'S ECONOMY. UNFORTUNATELY, MOST OF THESE SHORTAGE AREAS ARE MIRROR REFLECTIONS OF SHORTAGE AREAS WITHIN THE ECONOMY OF THE US. THESE MAY OR MAY NOT LEND THEMSELVES TO EXPLOITATION OVER THE COMING YEAR AS OUR SHORTAGE SITUATION IMPROVES AND THE OPPORTUNITIES WILL HAVE TO BE HANDLED ON A CASE

BY CASE BASIS.

6. ACTION REQUESTED: AS CAN BE SEEN FROM THE REFERENCES AND FROM THE ABOVE THE EMBASSY IS ALREADY HEAVILY ENGAGED IN PROMOTING THE SALE OF AMERICAN PRODUCTS IN THE NUCLEAR POWER AND OFFSHORE OIL SECTORS. WE WOULD LIKE TO BE ABLE TO MOUNT A SIMILAR EFFORT WHICH WOULD ENABLE US TO EXPLOIT THE LONG RANGE MARKET FOR COAL IN THE UK. THIS COULD AMOUNT TO SOME 10 MILLION LIMITED OFFICIAL USE

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TONS OF COAL PER ANNUM ON CURRENT PREDICTIONS. WE ARE HOWEVER CONSTRAINED FROM MOVING INTO THIS AREA BY THE INFORMATION ON FUTURE US COAL EXPORT POLICIES MENTIONED IN PARAGRAPH 2. THE EMBASSY BELIEVES THAT IN VIEW OF THE POTENTIAL SIGNIFICANT MARKET FOR COAL WHICH EXISTS HERE THIS COAL POLICY DECISION SHOULD BE REVIEWED AND IF POSSIBLE, REVERSED.

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